



TWIN VALLEY

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FCC Mail Room

We are writing on behalf of a provider of local exchange and other communications services in North Central, Kansas. This letter is sent to seek clarification and further details from the Wireline Competition Bureau with respect to the operations and effects of the quantile regression analysis and related caps on Universal Service Fund (USF) support.

Twin Valley Telephone, Inc. (TVT), together with its sister company Twin Valley Communications (collectively, "Twin Valley"), provides access to telephone, high-speed Internet, IPTV, security, and cellular services in north-central Kansas. As an incumbent local exchange carrier (ILEC), Twin Valley has been providing access to telephony and advanced services since 1947 and is a long-time participant in the traditional RUS telecommunications infrastructure Title II loan program, accepting eleven RUS loans valued at \$94 million since 1958. Located in Kansas's first congressional district, Twin Valley covers 2,400 rural square miles and operates a fiber-to-the-premise network over two-thirds of its coverage area and an ADSL 2+ network over the remaining third of the coverage area.

Twin Valley currently has 6,417 voice lines and 4,823 broadband customers, with broadband speeds up to 1GB to the premise. The density is 2.67 voice subs per square mile and 2.00 broadband subs per square mile. Twin Valley currently provides high-speed Internet access to roughly 11,088 homes and businesses covering a population of 19,962.

Twin Valley's highly experienced management team has repeatedly demonstrated its technical and financial abilities to carry out broadband infrastructure projects. In 2006, the company conducted an acquisition of 13 Sprint exchanges that added 5,200 access lines and 1,600 additional square miles of service area. Twin Valley has made these networks commercially successful through excellent service and affordable pricing.

When operating with reduced USF support, there are certainly many challenges to meeting service requirements. With such a minimal density in our rural area, the rate of return is little to none. When comparing our density to those in more urban settings, the reduced support doesn't effectively support the business case. Making things more difficult, the average household income levels are below both the national and state levels, and we are dealing with a population reduction annually, both factors that require appropriate levels of support to maintain affordable customer rates.

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Universal service support and related regulatory cost recovery mechanisms have been essential in providing rural American consumers with access to affordable communications services. While these mechanisms needed to be refreshed and updated, recent changes are putting the availability and affordability of both voice and broadband services in rural communities at risk. The changes also put at risk billions of dollars worth of government and private sector communications infrastructure financing, and the uncertainty these changes have created threatens future rural investment.

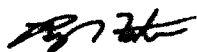
To assess why these caps have affected Twin Valley and what, if anything, can be done to avoid the application of these caps either now or in future years, we need further information or guidance from the bureau. Specifically, we need to understand:

- (1) How our study area boundary was established in the formulas used to develop the caps applicable to Twin Valley.
- (2) What census blocks were included within those study area boundaries used in the formulas applicable to Twin Valley.
- (3) What specific costs of Twin Valley were deemed "excessive" under the caps.
- (4) What, if anything, could be done to avoid the application of these caps in the first year through changes by Twin Valley to operations or investment practices.
- (5) What, if anything, could be done to avoid the application of these caps in subsequent years through changes by Twin Valley to operations or investment practices.
- (6) How Twin Valley can determine what changes, if any, might occur to the formulas and caps in subsequent years so that Twin Valley can plan accordingly to operate and invest in as "efficient" and "prudent" a manner as possible by reference to the caps.

This information, and any related underlying data that the bureau can provide with respect to how and why the caps affect Twin Valley, will be essential in allowing Twin Valley to develop network investment and operating plans that account for the effect of the caps and restore predictability to the USF support we receive. In the absence of this information, Twin Valley fails to see how the caps will encourage "efficient" or "prudent" behavior or provide a predictable support mechanism because we will not know what is expected by the new rules or how they will affect future support distributions.

Please provide this information and guidance as soon as possible to Twin Valley so that we may make every reasonable effort to address and respond to the effects of the caps as soon as possible. Thank you for your attention to this request.

Sincerely,



Ben Foster
President
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